American Recovery and Reinvestment Act

Federal Assistance to Arizona

Updated March 4, 2009

JLBC

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American Recovery and Reinvestment Act - Overall Federal Budget Impact

	National <u>\$ in B</u>
•Discretionary Spending	\$308
•Entitlement Spending Changes	198
•Tax Reductions	<u>281</u>
Total	\$787

Discretionary Spending Totals \$308 B

	National <u>\$ in B</u>
Fiscal Stabilization Fund	\$54
Education	44
Agriculture	26
Labor/Human Services	26
Environment	11
Energy/Water	51
Transportation	61
Other	36

Key Discretionary Programs

	National \$ in B
K-12 Education	фШБ
• Title I – low income	\$13
• Special education	12
Higher Education	
• Increase need-based Pell grants	16
<u>Health</u>	
 National Institutes of Health 	10
Transportation	
• Highways/Rail/Transit	45
State Energy/Water Projects	
• Drinking/Clean water	6
• Energy programs	11
Benefit assistance	
• Food Stamp (SNAP) – 13% increase	21

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Entitlement-Based Spending Totals \$198 B

	National <u>\$ in B</u>
 Medicaid – Federal match rates 	\$90
• Unemployment Insurance/Social Security	57
 Increase UI benefits by \$25 per week 	
 One-time \$250 payment for retirees/disabled 	
 COBRA coverage for the unemployed 	25
– 65% subsidy for 9 months	
 Health information technology grants to 	21
modernize records	
• Other	5

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Tax Reductions Total \$281 B

- Represents 10-Year Cost

- Will Have State Conformity Impacts

	National <u>\$ in B</u>
\$400/\$800 tax reduction via withholding	\$116
Extend AMT "patch"	70
Child Tax Credit expanded	15
Renewable energy tax credit	14
Higher Education tax credit	14
1st-time home buyer credit	7
Extend bonus depreciation	6
Increase EITC	5

Arizona Impacts of Federal Assistance

Key Considerations

- Funding mostly available for 2 years
- Not designed as permanent assistance
- Assistance comes with conditions such as maintenance of effort and non-supplanting
- Supplanting opportunity only if state currently expends General Fund dollars on that activity
- Agencies may be able to use small percent for administration

Key Caveats

- Consider Estimates Preliminary and Subject to Change
 - State by state estimates still in flux
 - JLBC Staff primarily used joint NGA-NCSL estimates
 - Potential federal agency clarification of legislation could further revise the estimates

Two Primary Initiatives Provide Direct State Fiscal Relief

- 1. Reduced state share of Medicaid cost
- 2. Fiscal Stabilization funding

Federal Medicaid Match Rate

- Increases federal share of Medicaid costs from 66% to 75% for indigent health care programs
- Reduces AHCCCS, DES, and DHS expenditures
- Cannot lower existing eligibility limits
- Cannot increase county percent of state match
- Level of federal aid tied to unemployment rate

Federal Medicaid Matching Rate Savings

- Match Rate Temporarily Linked to Unemployment Rate
- State Will Qualify for Added Funding if Rate Exceeds 7.1%

	<u>'09</u>	<u>'10</u>	<u>'11</u>	<u>'12</u>	<u>Total</u>
Current 6.9%		9	in Millions	S	
Unemployment Rate					
State	\$485*	\$702	\$380	\$15	\$1,581
County	48	67	37	2	154
7.1% Unemployment Rat	te				
State	501*	772	417	16	1,707
County	50	74	41	2	166

^{*} Special Session legislation assumed \$500 M of match rate savings.



State Funding Available Under Stabilization Fund for 2 Years

	<u>\$ in M</u>
Education	\$832
General Purpose	185
Incentive Grants	?
- No Formula, $2\% = $100 M$	
	\$1,017

Conditions of Stabilization Funding

- 1. Backfill education reductions goal of reaching '08 or '09 level
- 2. Cannot fall below '06 support level (maintenance of effort MOE)
 - Feds can waive, but state can't reduce education share of budget
- 3. Method to calculate K-12 "effort" is unclear
 - Option 1a = K-12 General Fund operating
 - Option 1b = Option 1 plus Prop 301/SFB

Education

How Does Current Funding Compare to '06

- Estimates Not Definitive - Numerous Possible Variables

		'10 Baseline
	'09 Above '06*	Above '06**
	\$ in M	illions
1a) K12 – GF only	\$433	\$792
1b) K-12 – GF/301/SFB	364	470
2) Universities/CC	72	80

- Any clarifying Federal instructions may significantly affect calculations.

^{* &#}x27;09 includes 1st Special Session reductions.

^{** &#}x27;10 Baseline assumes 1st Special Session reductions are repeated.

How Can Stabilization Funds Be Used?

- Backfill existing reductions
- Reduce budget shortfall
 - Education GF budgets could be further reduced and backfilled with Stabilization dollars
 - Any GF reduction cannot drop us below '06 MOE
 - One caveat Possible Federal waiver of '06 MOE

Using Stabilization Funds to Reduce Shortfall

- Need to decide how to allocate \$1 B between fiscal years.
- As a sample scenario, allocate:

\$400 M to '09

\$600 M to '10

FY '09 Sample Budget Scenario and Use of Federal Assistance*

Possible '09 shortfall

up to \$(425) M

Stabilization fund

- General Fund reduction and backfill

\$400 M

* Only for display purposes – does not reflect a member or staff proposal.

FY '10

Sample Budget Scenario and Use of Federal Assistance*

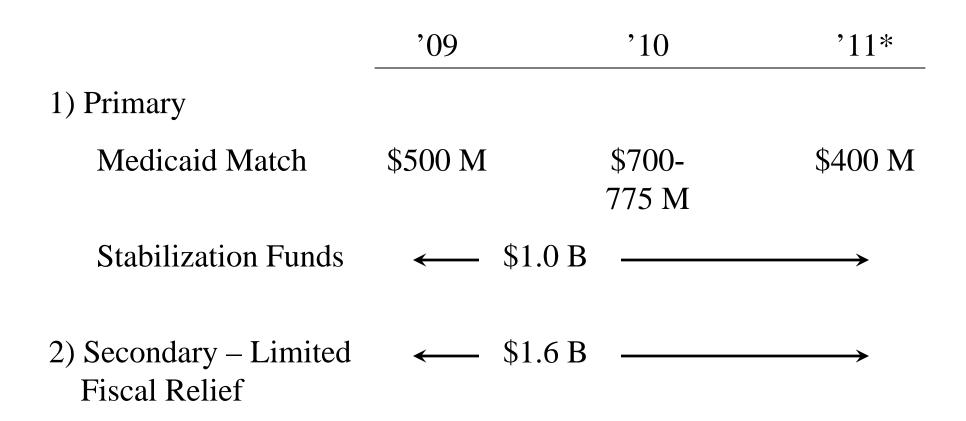
January JLBC Baseline FY '10 shortfall	\$(3.0) B
Continue '09 Special Session changes	0.6
Revised shortfall	(2.4)
- Medicaid match savings	0.7
- Stabilization fund backfill	0.6
Remaining shortfall	\$(1.1) B

^{*} Only for display purposes – does not reflect a member or staff proposal.

"Secondary" Federal Assistance Impacts

- Totals \$1.6 B for next 2 years
- May provide limited "direct" supplanting opportunities
- Added administrative dollars may cushion other reductions
- State does not spend GF dollars on some of these activities (Transportation = \$600 M)
- State may need to meet a MOE requirement
 - \$50 M in Child Care has MOE requirement since state reductions enacted prior to federal law, MOE requirement will not prevent backfill
- May require state match

Summary of \$4 B in Assistance



^{*} Dates of availability through FY '11 vary by program.

Staff Recommendations

- Treat these estimates as preliminary, pending further information and Federal guidance
- Staff continue to monitor Federal implementation
- Suggest Executive provide more comprehensive report

Overview of Potential Federal Assistance in Arizona

- 1) The estimates reflect the enacted version of The American Recovery and Reinvestment Act of 2009.
- 2) Arizona may receive \$4 billion. This estimate represents selected programs in the federal legislation. The document includes the main categories of assistance, but some smaller programs may be excluded.
- 3) These amounts typically reflect multiple year allocations through FY 2010 or FY 2011, depending on the program. Arizona's allocation primarily represents the estimates of the Federal Funds Information for States a joint project of the National Conference of State Legislatures and the National Governors Association. Estimates have been modified when later information is available. For example, Federal Medicaid matching rate calculation is based on Arizona-specific information from AHCCCS.
- 4) Since there can be multiple interpretations of the state distributions, the Arizona allocations should be considered as preliminary and subject to change. In addition, state by state estimates are still being refined.
- 5) There are two primary programs which could help reduce the state's current General Fund budget shortfall the Medicaid matching rate and the Fiscal Stabilization Fund. The Medicaid provision may generate \$500 million in FY 2009, \$700 million to \$775 million in FY 2010 and \$400 million in FY 2011. The Stabilization Fund will provide \$1 billion through 2010.
- 6) In addition, there may be \$1.6 billion in "secondary" federal assistance. This added federal funding does not usually translate into General Fund savings that would reduce the size of the budget shortfall.
 - o Some programs have maintenance of effort requirements that prohibit states from reducing their own funding in order to receive additional federal dollars.
 - o Some programs prevent the state from reducing their support and backfilling with the new federal dollars, otherwise known as "supplanting".
 - o In addition, the state may not currently expend General Fund dollars for some programs in the federal assistance legislation. As a result, additional federal funding may flow into the state as a result of the legislation, but there is no General Fund benefit.
 - o There may be some limited opportunity to use the secondary assistance for budget reduction. In addition, state agencies may benefit if they can retain a portion of these funds for their administrative expenses.

JLBC Staff March 5, 2009

	Overview of			
	Allocations for Selected Grant Programs in House and Senate Stimulus 1/2/3/			
	Arizona			
	7112010	\$ in Thousands		
				
1.	Fiscal Stabilization Fund - Education	831,869		
2.	Fiscal Stabilization Fund - General Purpose	185,086		
3.	Fiscal Stabilization Fund - Incentive Grants	TBD		
4a.	AHCCCS/DHS/DES - Medicaid Matching Rate (Lower FMAP) 4/	1,583,863		
4b.	AHCCCS/DHS/DES - Medicaid Matching Rate (Higher FMAP) 4/	1,709,678		
5.	AHCCCS - Dispro Share	TBD		
6.	Commerce - Weatherization	67,011		
7.	Commerce - State Energy Program	44,746		
8.	Commerce - Energy Efficiency Block Grant	TBD		
9.	ACJC - Byrne Criminal Justice Grants	39,437		
10.	DES - Title IV-E Programs - Foster Care/Adoption Matching Rate	18,924		
	DES - Elderly Nutrition	2,640		
	DES - Child Care	50,877		
	DES - Child Support	24,000		
	DES - Community Services Block Grant	8,267		
	DES - Vocational Rehabilitation	13,086		
	DES - Independent Living	281		
	DES - Services for the Blind	722		
	DES - TANF	TBD		
	DES - Food Stamp Admin	6,800		
	DES - Food Stamp Benefits			
	DES - Homelessness Prevention Emergency Shelter Grant	7,034		
	DES - Emergency Food (TEFAP)	1,927		
	DES - Community Service for Older Americans	1,268		
	DES - Unemployment Insurance Benefits			
	DES - Unemployment Insurance Modernization Enhancements			
	DES - Unemployment Insurance State Administration Grants	10,721		
	DES - Employment Service	6,881		
	DES - Workforce Investment - Adult	7,693		
	DES - Workforce Investment - Youth	18,011		
	DES - Workforce Investment - Dislocated Workers	18,500		
	ADE - Head Start	12,109		
32.	ADE - Title I - Education	254,180		
_	ADE - IDEA Education	194,167		
34.	ADE - Education Technology	12,436		

		\$ in Thousands
35.	ADE - Education for the Homeless	2.000
	ADE - School Lunch-Equipment	1,881
	ADEQ - Drinking Water Revolving Fund	55,340
	ADEQ - Clean Water Revolving Fund	26,675
	Governor - Violence Against Women	4,435
	DHS - Community Health Clinics	
	DHS - Infections Reduction Strategies	TBD
	DHS - Immunization	6,000
	DHS - WIC	14,000
	Housing - Public Housing Capital Fund	
45.	Housing - HOME - Rental Construction Assistance	32,261
	Housing - Low-Income Housing Grants in Lieu of Tax Credits	TBD
	Housing - Community Development Block Grant	3,267
	Housing - Neighborhood Stabilization Program	TBD
	Housing - Lead Hazard Reduction	
	Housing - Native American Housing Grant	
	Housing - Section 8 Housing Repairs	
	DPS - Victims of Crime Act Assistance	1,296
	SFB - School Construction - Tax Credit Bonds	
	ADOT - Highways & Bridges	521,958
_	ADOT - Transit Capital	99,922
	ADOT - Fixed Guideway Modernization - Rail	640
	Universities - Pell Grants	TBD
	Universities - Work Study	TBD
	Veterans' Services - Veterans' Homes	TBD
60.	Other Initiatives - Healthcare IT	TBD
61.	Other Initiatives - Broadband	TBD
	TBD = To Be Determined	
	1/ Represents selected programs in enacted Federal legislation.	
	$\underline{2}/$ These amounts typically reflect allocation through FY 2010 or FY 2011, depending on the	
	primarily represents the estimates of the Federal Funds Information for States – a joint pro	oject of the National Conference of
	State Legislatures and the National Governors Association. 3/ The added federal funding for items 5 - 61 does not necessarily translate into General Fur	
	3/ The added federal funding for items 5 - 61 does not necessarily translate into General Fur size of the budget shortfall. Some programs have maintenance of effort requirements that	
	their own funding in order to receive additional federal dollars. Some programs prevent the	·
	support and backfilling with the new federal dollars, otherwise known as "supplanting". In	ŭ
	currently expend General Fund dollars for a program in the federal assistance legislation.	
	funding may flow into the state as a result of the legislation, but there is no General Fund by	
	4/ State share will depend on unemployment rate, which will affect the level of state savings.	State will receive either 4a or 4b,
	but not both. Estimates from AHCCCS.	

	Detailed Federal Assistance Summary								
	\$ in Millions								
FY 2009 FY 2010 FY 2011 Total Com						Comments			
	PRIMARY								
	Fiscal Stabilization - Education				831.9	 Would be a lump sum payment to the state. State determines allocation between fiscal years. It may be used for primary, secondary, and postsecondary education, including building renewal. Funds must be committed within 2 years. Funds are to be allocated between K-12 and higher education "in proportion to relative shortfall in state support." Maintenance of Effort (MOE) - State must maintain the same level of support for K-12 and Higher Ed. in FY 2009-2011 as it did in FY 2006. K-12 based on principal funding formulas. (See attachment). The Feds can waive the MOE requirement, but the state must keep education spending as a % of total budget at least as high as in the previous FY. 			
	. Fiscal Stabilization - General Purpose . Fiscal Stabilization - Incentive Grants				185.1 TBD	 These funds may be used for general government services, including public safety and education (including building renewal). Subject to Education MOE requirements Discretionary funds - no formula. Monies are awarded to states which have developed strategies to: achieve 			
						equity in teacher distribution, improve the collection and use of student data, test the achievement of students, and ensure compliance with low-performing corrective action plans. • If AZ receives 2%, would be \$100M - But no guarantee.			

		FY 2009	FY 2010	FY 2011	Total	Comments
4a.	Federal Medicaid Matching Rate at Current Unemployment Rate of 6.9% (Lower FMAP)	486.6	702.8	379.8	1,583.9	 Would increase the share the federal government pays of the state's medicaid programs in AHCCCS, DHS & DES through 12/2010. Reduces state and county spending levels. Counties would receive \$46M in '09, \$67M in '10 and \$37M in '11. Must retain same eligibility criteria as of July 1, 2008. Counties may not pay a greater share of program costs than they did as of September 30, 2008. State would receive small amount in '12 based on prior year claims. Funding linked to unemployment rate. (Funding at current 7.0% rate). Would receive more \$ if unemployment rate > 7.1%.
4b	Federal Medicaid Matching Rate at 7.1% Unemployment Rate (Higher FMAP)	503.4	772.6	417.5	1,709.7	 Funding if unemployment is > than 7.1%. Counties would receive an added \$2M in '09, \$7M in '10, and \$4M in '11.
	SUBTOTAL - PRIMARY (Lower FMAP)				2,600.9	
	SUBTOTAL - PRIMARY (Higher FMAP)				2,726.7	
	SECONDARY					
	AHCCCS					
5.	Disproportionate Share Hospitals				TBD	 2.5% increase in DSH funding available but requires 34% state match. Benefits only private hospitals. Could draw down \$2M over 2 years, but requires \$700k state match. FY 09 state budget eliminated DSH funding.
	AHCCCS Subtotal				0.0	_
	Commerce					
6.	Commerce Weatherization				67.0	Direct grants to homeowners to increase the energy
0.	vveauterization				07.0	efficiency of their homes. No current GF support. • 5% available for administration.
7.	State Energy Program				44.7	 Funds wide range of energy efficiency programs. No current GF support. 10% for administration. No match required.

		FY 2009	FY 2010	FY 2011	Total	Comments
8.	Energy Efficiency Block Grant				TBD	 Wide range of energy efficiency programs. 2.5% for administration. 91% of funds go to local governments, 9% to the state
	Commerce Subtotal				111.7	
	ACJC					
9.	Byrne/Justice Assistance Grants				42.0	 The grant must be used to fund law enforcement or court programs, as well as areas that generally improve the criminal justice system. ACJC retains 60% and local governments receive 40%. Of ACJC's share, at least 64% goes to locals. As a result, at least 78% will ultimately be passed through to local governments. Of the 78%, \$16.2M will be distributed by ACJC as competitive grants and \$16.7M will be distributed by formula. Supplanting not permitted. Up to 10% of a portion of the grant may be used for administrative expenses. (\$2.5M)
	ACJC Subtotal				42.0	
	DES					
10	Title IV-E Programs - Foster Care/Adoption Matching Rate	6.3	8.4	4.2	18.9	 Would increase the share the federal government pays through 12/2010. Reduces state spending level.
11	Elderly Nutrition				2.6	 Provides congregate and home delivered meals to the Elderly. Confirming status of match and supplanting.
12	Child Care				50.9	 Bill says no supplanting, but does not establish base year. DES is allocating \$24M of its '09 reduction to child care. Since those reductions enacted prior to ARRA, DES able to backfill. DES also evaluating program's underlying MOE provisions. Requires legislative appropriation to expend.
13	Child Support	9.0	12.0	3.0	24.0	 Allows state to use Fed incentive \$ as part of state match. Reverses need for annual \$3M backfill of federal \$ in '08.

		FY 2009	FY 2010	FY 2011	<u>Total</u>	<u>Comments</u>
14.	Community Services Block Grant				8.3	Confirming supplanting status - may be able to backfill
						existing or future reduction.
						May retain % for administration.
15.	Vocational Rehabilitation				13.1	No match required. Confirming supplanting status.
16.	Independent Living				0.3	Assistance for severely disabled individuals to live more
						independently. Funds adaptive aids and devices, as well
						as independent living skills training.
	Services for the Blind					Services for older individuals who are blind
18.	TANF				TBD	Added funding available if caseload increases. Feds will
						reimburse 80% of cost increase.
	Food Stamp Administration					Estimated \$6.8M available over 2 years. Does not require a state match.
20.	Food Stamp Benefits (SNAP)					Not typically counted as state expenditure. 13% increase is \$118.8M on an annual basis. Available for several
						years.
21.	Homelessness Prevention Emergency Shelter				7.0	Short-term Rental Assistance, Housing Relocation and
	Grant					Stabilization Services.
						Confirming supplanting status.
						 Prior to reductions, DES spent \$1.2M on Homeless.
						Another \$15.1M distributed to 8 local governments.
22.	Emergency Food (TEFAP)				1.9	Provides commodities and congregate meals through
						regional food banks.
23.	Community Service for Older Americans				1.3	Part-time work training for unemployed low income
						persons older than 55.
						Confirming supplanting status.
24.	Unemployment Insurance Benefits					\$25 weekly increase, 100% federally funded, would result
						in about \$84 million annually.
	Unemployment Insurance Modernization					One-third of funding (about \$50M) available for
	Enhancements					changing wage calculation.
						Two-thirds (about \$100M) available for meeting 2 of 4
						provisions: part-time work, compelling family reasons,
						enrollment in a training program, and providing a
						dependent allowance.
						DES already has compelling family reasons exception.
						State must make assurances that these changes are
						permanent, which suggests a change in state law.
						Have requested information from DES on UI tax rate
						impact, as Federal Funds will not permanently cover cost.

		FY 2009	FY 2010	FY 2011	Total	Comments
26	Unemployment Insurance State Administration				10.7	No current DES GF expenditures on this and following 4
	Grants					employment programs.
	Employment Service					For re-employment services for UI claimants.
	Workforce Investment - Adult					Requires legislative appropriation to expend.
29	.Workforce Investment - Youth				18.0	Program grants for summer jobs up to the age of 24.
						Requires legislative appropriation to expend.
30	Workforce Investment - Dislocated Workers					Requires legislative appropriation to expend.
	DES Subtotal				197.6	
	ADE					
	Head Start					Direct pass-through to local level. Does not appear to be supplanting option.
32	Title I					Grants based on poverty level by district. Federal law prohibits supplanting. Intent statement that \$ available through '11.
33	Special Ed./IDEA				194.2	 Individuals with Disabilities Education Act. Intent statement that \$ available through '11. Federal law prohibits supplanting, but can use stabilization \$ to meet IDEA specific MOE.
34	Education Technology				12.4	Funding must be used for hardware, software, or technology related staff, services, or professional development. Intent statement that \$ available through '11.
35	Education for the Homeless				2.0	
36	School Lunch - Equipment				1.9	No direct state GF support.
	ADE Subtotal				476.8	
	DEQ					
37	Drinking Water				55.3	No match requiredNo current GF support.4% for administration.
38	.Clean Water				26.7	 No match required Our ability to supplant is unclear. \$1.5M in current GF support. 4% for administration.
	DEQ Subtotal				82.0	
	Governor					
39	Violence Against Women					No supplanting.
	Governor Subtotal				4.4	

		FY 2009	FY 2010	FY 2011	<u>Total</u>	Comments
	DHS					
	Community Health Centers					 Funds would be distributed directly to 3 health centers. Total funding is estimated at \$3.9 M.
41	Infections Reduction Strategies				TBD	 Determined through competitive grant process. Funds will be used to perform surveillance and reporting. Confirming supplanting status.
42	Immunizations					 Increase in the CDC Section 317 grant program. Funding is likely split 50/50 between vaccine and operations. No supplanting.
43	Women Infants Children (WIC) Food Program				14.0	 Funds would be used for food distribution and management information systems. No current GF support.
	DHS Subtotal				20.0	
	Dept. of Housing					
	Public Housing Capital Fund					 Direct assistance to 15 local public housing authorities. Estimated to be \$12.1M No supplanting. No similar GF program.
45	HOME - Rental Construction Assistance				32.3	 Grant funding which is used to supplement the financing of capital investment in low-income rental housing. 1% for administration. Confirming supplanting and match status.
46	Low-Income Housing Grants in Lieu of Tax Credits				TBD	 Allows unused Low-Income Housing Tax Credit (LIHTC) allocations to be converted into grants to rental developers for low-income housing. May generate \$49.6M in grants. Estimate still being confirmed.
47	Community Development Block Grant				3.3	 Provides funds for affordable housing, anti-poverty programs, and infrastructure development. Distribution of total monies to Arizona and state/local allocation are determined by HUD Another \$11.5M distributed to 16 local governments. 2% match 2% for administration.

		FY 2009	FY 2010	FY 2011	Total	<u>Comments</u>
48	Neighborhood Stabilization Program				TBD	May be \$19M to purchase foreclosure. 25% of monies
						would go to households with incomes below 50% of
						median. Not designed to assist in preventing
						foreclosures.
						• 10% for administration.
49	Lead Hazard Reduction					These funds go directly to municipalities.
						Consist of 4 competitive grant programs.
						 Total funding estimated at \$3.2 M
50	Native American Housing Grant					 Funds go directly to Native American tribes.
						 Total funding estimated at \$53.8 M
51	Section 8 Housing Repairs					ADOH has no indication they will receive these monies
						to administer.
						 Total funding estimated at \$15.4 M
	Dept. of Housing Subtotal				35.6	
	DPS					
	Victims of Crime Act Assistance				1.2	Also goes to ACJC.
						Confirming supplanting status.
	DPS Subtotal				1.2	5 5
	School Facilities Board					
53	School Construction - Tax Credit Bonds					Permits state to issue school construction bonds
						without paying interest costs. Bondholders receive
						federal tax credit in lieu of interest.
						Funding can be used for construction or building renewal.
						If state chooses to issue bonds, state could issue
						\$440M, which would result in future foregone interest
						payments of approximately \$13.5M per year (20-year
						term). State still responsible for future year principal
						payments.
						May also issue Qualified Zone Academy Bonds
						(QZABs) where federal tax credit is issued in lieu of
						interest. QZAB requires 10% private match.
	SFB Subtotal				0.0	

r any purpose and ts through existing F support. ed for all projects t satisfied, state loses have historically been
9.
r-income nts. ncrease at \$331M, nstitutions, including students have past.
e employment to ting postsecondary available to all
<u> </u>
r veterans' nursing AZ may receive in '10 share.
A.

		FY 2009	FY 2010	FY 2011	Total	Comments
	Other Initiatives					
60	Healthcare IT					 Nationwide, legislation includes \$2B to invest in health information technology (HIT) infrastructure and \$17B in incentives for Medicare & Medicaid providers. Some of these funds will be distributed to state as grants to promote HIT. Grants would require a match: through FY 2010 as determined by HHS Secretary, 10% in FY 2011, 14% in FY 2012, and 33% in FY 2013 and beyond. Competitive grants will also be available for states to create loan programs for providers. Requires 20% state match. States may reimburse eligible Medicaid providers for cost of IT purchases. Federal share is 100% for purchase costs and 90% for admin.
61	Broadband					 Competitive grants to increase broadband deployment in unserved/underserved areas. 20% State match, subject to waiver
	Other Initiatives Subtotal				0.0	
	SUBTOTAL - SECONDARY				1,593.8	
	JUDICIAL - SECONDANI				1,333.0	
	TOTAL - PRIMARY AND SECONDARY (Lowe	r FMAP)			4,194.7	
	TOTAL - PRIMARY AND SECONDARY (Highe	r FMAP)			4,320.5	
	TBD = To Be Determined.					

Federal Maintenance of Effort Calculation for ARRA 1/2/3/

3/4/2009

	FY 2006	FY 2009 4/	FY 2010 Baseline <u>4</u> /
Primary and Secondary Ed.			
Department of Education 5/	3,497,734,500	3,926,655,700	4,284,505,700
ASDB <u>6</u> /	16,766,400	21,273,700	21,273,700
Total	3 514 500 900	3 947 929 400	4 305 779 400

Total 3,514,500,900 3,947,929,400 4,305,779,400
Difference from FY 2006 433,428,500 791,278,500

With SFB & Prop 301

Without SFB & Prop 301

Primary and Secondary Ed.			
Department of Education 5/	3,497,734,500	3,926,655,700	4,284,505,700
ASDB <u>6</u> /	16,766,400	21,273,700	21,273,700
SFB <u>7</u> /	455,677,700	331,611,600	115,688,300
Prop 301 <u>8</u> /	466,140,800	520,285,400	484,405,000
Total	4,436,319,400	4,799,826,400	4,905,872,700
Difference from FY 2006		363,507,000	469,553,300

Postsecondary Ed.			
Universities 9/	851,120,800	920,390,100	920,390,100
Community Colleges 10/	132,746,000	135,235,800	143,255,600
Total	983,866,800	1,055,625,900	1,063,645,700
Difference from FY 2006		71,759,100	79,778,900

^{1/} The ARRA requires the state to "maintain state support for elementary, secondary education at least at the levels in fiscal year 2006" in order to qualify for Fiscal Stabilization Fund monies. There is a similar requirement for higher education, but excludes support for capital for research and development. The U.S. Department of Education, however, may waive the MOE requirement.

^{2/} The Act does not provide further definition of state support. Another section of the bill sets forth the goal of restoring state support to the greater of FY 2008 or FY 2009. In that section, support is linked to the "State's primary elementary and secondary education funding formulae". Until there is further guidance from the federal Department of Education, it is unclear whether K-12 MOE is determined by the state's main Basic State Aid formula or whether it should include other formulae, such as Proposition 301 funding and School Facilities funding. As a result, both scenarios are presented.

^{3/} This chart attempts to illustrate the difference between possible Arizona MOE levels for FY 2006 and currently assumed state funding levels for education programs in FY 2009 and FY 2010.

^{4/} FY 2009 includes reductions from Laws 2009, 1st Special Session. FY 2010 uses JLBC Baseline as starting point and assumes that the dollar value of the 1st Special Session reductions are continued in FY 2010.

^{5/} Includes all monies actually appropriated for Basic State Aid, Additional State Aid, Special Education Vouchers, and Other State Aid to Districts.

^{6/} GF monies only.

^{7/} GF and non-appropriated monies for New School Construction and Building Renewal, including lease-purchase debt service monies.

^{8/} Sales tax and land trust monies for Classroom Site Fund and Additional School Days.

^{9/} GF monies only, including lease purchase payments, but excluding ABOR.

^{10/} Operating State Aid and Equalization Aid only (excludes Capital Outlay State Aid).